

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6576

BILL NUMBER: SB 457

NOTE PREPARED: Dec 9, 2003

BILL AMENDED:

SUBJECT: Beverage Container Tax.

FIRST AUTHOR: Sen. Howard

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill imposes a five cent tax on beverage containers. It also imposes criminal penalties on retailers for certain violations. The bill provides that revenue generated by the tax is deposited in the state General Fund and appropriated for services for developmentally disabled individuals and tuition support.

Effective Date: July 1, 2004.

Explanation of State Expenditures: *Department of State Revenue:* This bill would require the Department to adopt rules and procedures associated with implementing this exemption. Any administrative costs incurred will presumably be covered using existing staff and resources.

Tuition Support: Fifty percent of the revenue deposited in the state General Fund from the Beverage Container Excise Tax, a tax created by this bill, is to be annually appropriated to the Department of Education for tuition support. The bill does not specify how these additional funds will be distributed. It is estimated that the Department would receive approximately \$95.65 M in FY 2005 and \$104.34 M in FY 2006.

Division of Disability, Aging, and Rehabilitative Services: Fifty percent of the revenue deposited in the state General Fund from the Beverage Container Excise Tax is to be annually appropriated to the Division of Disability, Aging, and Rehabilitative Services (DDARS) for services to developmentally disabled individuals. The bill requires the amount to be in addition to any other amount appropriated by the General Assembly for such services. Depending on how these funds are utilized to provide services to persons with developmental disabilities, the additional state expenditures for services would likely leverage additional

Medicaid dollars. About 62% of total Medicaid expenditures are reimbursed by the federal government and 38% are provided by the state. The estimated additional revenue for services for developmentally disabled individuals are specified in the table below. The amounts shown in the table assume that the entire additional appropriation to DDARS will be used for Medicaid-reimbursable expenses.

	FY 2005	FY 2006
Estimated State Revenue	\$ 95.65M	\$ 104.34M
Leverages Federal Medicaid @ 62%	<u>156.05M</u>	<u>170.24M</u>
Total Additional Expenditures for Developmental Disabled Individuals	\$251.70M	\$274.58 M

Explanation of State Revenues: The establishment of a \$0.05 excise tax on each beverage container sold is estimated to generate approximately \$191.30 M in FY 2005 and \$208.68 M in FY 2006. Due to the timing of the remittance of the tax, the revenue estimate for FY 2005 includes remittances from eleven of the twelve months that the tax is in effect during FY 2005. Revenue from the tax would be deposited in the state General Fund. The bill requires 50% of the money deposited in the General Fund be annually appropriated to the Department of Education for tuition support and 50% be appropriated to the Division of Disability, Aging, and Rehabilitative Services for services for developmentally disabled individuals. (See *Explanation of State Expenditures*, above.)

Penalty Provision: A retailer who knowingly makes a false statement in filing a return with the Department of State Revenue for the Beverage Container Tax, or who fails to pay the tax commits a Class B misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenue would likely be small.

Explanation of Local Expenditures: *Penalty Provision:* A Class B misdemeanor is punishable by up to 180 days in jail.

Explanation of Local Revenues: Depending on how the additional revenue appropriated to the Department of Education for tuition support is distributed, local school corporations could receive additional dollars.

Penalty Provision: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: Department of Revenue; Department of Education; Family and Social Services Administration, Division of Disability, Aging, and Rehabilitative Services.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: United States Department of Agriculture, Economic Research Service, The Beer Institute; Beverage World; International Bottled Water Association; Beverage Marketing Corporation; Department of State Revenue.

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